

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 PM-03 NSC-05 SP-02 SS-15 L-02 EB-07

CU-02 MMS-01 ACDA-05 INR-07 CIAE-00 DODE-00 AGR-05

PC-01 AID-05 COME-00 OPIC-03 OMB-01 TRSE-00 PER-01

USIE-00 SSO-00 NSCE-00 INRE-00 IO-10 /086 W

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FM AMEMBASSY GEORGETOWN

TO SECSTATE WASHDC IMMEDIATE 1085

S E C R E T SECTION 1 OF 2 GEORGETOWN 0530

E.O. 11652: GDS

TAGS: PFOR, GY, US

SUBJECT: APRI 17 IG REVIEW FY 1976-77 GUYANA CASP

REF: (A) DRAFT CONSOLIDATED CASP CHANGE SHEET PREPARED BY
PRE IG
(B) STATE 075029

SUMMARY: COUNTRY TEAM WITH EXCEPTION AID DIRECTOR CONTINUES
SUPPORT DRAFT CASP RECOMMENDATION THAT BILATERAL AID PROGRAM
BE TERMINATED END FY77., AND RESPONDS TO PRE-IG'S QUESTIONS.
CT GENERALLY AGREES WITH PRE-IG'S RECOMMENDED TEXTUAL CHANGES.

1. COUNTRY TEAM AGREES TO ALL CHANGES CONTAINED REF A EXCEPT
CHANGE TO ANTICIPATED CHALLENGES AND OPPORTUNITIESCHAGE 11. PRE-IG'S
RECOMMENDED PHRASEOLOGY HERE IS INNOCUOUS, BUT A TRUISM WHICH
ANY U.S. OFFICIAL STRESSES AS A MATTER OF COURSE. WE CONTINUE TO
RECOMMEND THAT WE DRAW THE PARALLEL TO OUR PURCHASES OF SUGAR
AND BELIEVE THAT OUR EMPHASIZING NEED FOR RECIPROCAL PURCHASES
FROM U.S. CAN BE EFFECTIVE MEANS OF PROMOTING U.S. EXPORTS IN LOCAL
SITUATION WHERE SOURCE OF IMPORTS INCREASINGLY CONTROLLED
BY GOG. TO CONFORM WITH CHANGE IN ANNEX A RECOMMENDED BY PRE-IG,
OBJECTIVE ONE GRANT FIGURE ON PAGE 19 MUST BE REDUCED TO 300.

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2. COUNTRY TEAM HAS REVIEWED ITS RECOMMENDATION THAT BILATERAL
AID PROGRAM BE TERMINATED BY END FY76 (EXCEPT SDAF) AND CONTINUES

STRONGLY SUPPORT THAT POSITION. AID DIRECTOR PREFERS PHASE-OUT DECISION BE DEFERRED UNTIL NEXT CASP CYCLE (SEE SERZEL).

3. REF B'S THRUST SEEMS TO QUESTION WHETHER WE CAN AT THIS TIME DETERMINE THAT ALTERNATE AID SOURCES IN FY77 WILL BE SUFFICIENT TO ELIMINATE GUYANA'S NEED FOR BILATERAL USAID. WHILE WE BELIEVE OUR RESPONSES BELOW TO REF B'S SPECIFIC QUESTIONS STRONGLY INDICATE ALTERNATE SOURCES WILL BE SUFFICIENT, WE ALSO BELIEVE THAT IS NOT THE MAIN QUESTION. POINT OF DEPARTURE OF OUR CASP SUBMISSION, AND THE TIRE CASP EXERCISE AS WE UNDERSTAND IT, IS WHETHER U.S. INTERESTS, NOT GUYANA'S NEEDS, WARRANT RECOMMENDED U.S. PROGRAMS. WE BELIEVE DRAFT CASP'S ANALYSIS PRESENTS CONVINCING CASE THAT THOSE INTERESTS IN GUYANA NO LONGER JUSTIFY NEW BILATERAL AID GRANTS OR LOANS BEYOND FY76. WE SEE NO REASON TO DELAY DECISION UNTIL NEXT YEAR, THEREBY ENCOURAGING BUREAUCRATIC INERTIA TO CONTINUE PROGRAM NOT JUSTIFIABLE BY U.S. INTERESTS. IN ANY EVENT, DECISION TO TERMINATE WITH FY76 WOULD BE FORMALLY COMMUNICATED TO GOG DURING FY 76 ONLY IN EVENT IT PRESSED US ON NEW LOAN OR GRANT PROPOSAL, AN EVENT THAT PRESENTLY SEEMS UNLIKELY.

4. OUR COMMENTS RELATED TO SPECIFIC PARAGRAPHS OF REF B ARE:

(2A) IS THERE ANY REASON WHY IDB COULD NOT BEGIN NOW TO GIVE GOG INFORMAL GUIDANCE ON PROJECT PREPARATION, EVEN IF IDB SHOULD NOT RPT NOT BE LENDING TO GUYANA BY FY 77, USAID NEW COMMITMENTS HAVE BEEN LESS THAN DOLS 1 MILLION ANNUALLY LAST FEW YEARS COMPARED TO RELATIVELY MASSIVE COMMITMENTS (PERHAPS AS HIGH AS DOLS 60 MILLION THIS YEAR) FROM OTHER DONORS AS WELL AS PRESENT FLOURISHING GUYANA BALANCE OF PAYMENTS AND RESERVES. THIS IMPLIES GUYANA LIKELY TO HAVE ACCESS TO SUBSTANTIAL PER CAPITA DEVELOPMENT FUNDS FY77 WITHOUT EITHER USAID OR IDB.

(2B AND C): LA/CAR MEMO JUST RECEIVED INDICATES GUYANA ELIGIBLE FOR CDB CONCESSIONAL LENDING. WITH HEALTHY REVENUES AND AID FROM

MANY SOURCES INCLUDING IBRD AND UNDP, GUYANA SHOULD HAVE AMPLE RESOURCES TO CONTRACT WITH PRIVATE U.S. INSTITUTIONS FOR TECHNICAL ASSISTANCE OF TYPE USAID NOW PROVIDES.

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(2D): WE DO NOT BELIEVE ANY OF OUR LIMITED INTERESTS IN GUYANA ARE WORTH REVIVAL COLD WAR COMPETITION WITH COMMUNIST COUNTRIES IN AID FIELD. FURTHERMORE, EVEN WITH LARGE U.S. AID PROGRAM, FOR IDEOLOGICAL, PSYCHOLOGICAL AND PRAGMATIC POLITICAL REASONS, GUYANA HAS IN PAST YEARS INCREASINGLY LINED UP WITH COMMUNISTS (OCCASIONALLY EXCLUDING USSR) AT EXPENSE OF U.S. AND UK. WE DO NOT BELIEVE CONTINUED U.S. AID PROGRAM ANY MORE LIKELY IN FUTURE THAN IT HAS IN PAST TO AFFECT GOG'S SOCIALIST IDEAL OR ITS OPEN TILT TOWARD COMMUNIST NATIONS AT LEAST TO EXTENT LATTER APPEAR COMPATIBLE WITH THIRD WORLD. (2E AND F): PM BURNHAM'S REPEATED

DENUNCIATION OF QUOTE PARSIMONIOUS AND PATRONIZING AID UNQUOTE
FROM WEST DOES NOT REPEAT NOT INDICATE THAT GOG VALUES EXISTING
BILATERAL AID PROGRAM ENOUGH THAT WE RISK MARKEDLY ADVERSE
REACTIONS, AND IN ANY EVENT WE ARE NOT PROPOSING A FORMAL
PUBLIC ANNOUNCEMENT OF TERMINATION SINCE DOLS 20 MILLION STILL IN
PIPELINE WILL PRESUMABLY NECESSITATE THAT SMALL AID MISSION REMAIN
FOR SEVERAL YEARS. WE HOPE ANDPRESUME THAT FACTORS SUCH AS LEVEL OF
U.S. INTERESTS IN A COUNTRY, RECIPROCAL POLITICAL SUPPORT AND
MUTUALITY OF COOPERATION ARE CONSIDERED IN DETERMINING USAID
RECIPIENTS AS WELL AS PXJ CAPITA INCOME, BUT POINT OUT THAT LATEST
BANK OF GUYANA FIGURE FOR 1974 SHOWS 16 PERCENT REAL GROWTH RATE
OF GDP TO US DOLS 484 PER CAPITA EVEN AFTER 25PERCENT DEFLATOR.
SINCE LIMITED U.S. RESOURCES REQUIRE SOME SLECTIVITY,
PERHAPS COUNTRIES WHICH DO NOT HAVE GUYANA'S ACCESS TO AID FROM
PRC ANDOTHER COMMUNIST AND OPEC DONORS BECAUSE OF THEIR GREATER
SUPPORT FOR U.S. POSITIONS AND INTERESTS SHOULD BE SHOWN SOME
FAVORITISM. WE SEE POSITIVE BENEFIT IF GUYANA AND PARTICULARLY
OTHER NATIONS DRAW SUCH CONCLUSION.

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ACTION ARA-10

INFO OCT-01 ISO-00 PM-03 NSC-05 SP-02 SS-15 L-02 EB-07

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PC-01 AID-05 COME-00 OPIC-03 OMB-01 TRSE-00 PER-01

USIE-00 SSO-00 NSCE-00 INRE-00 IO-10 /086 W

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FM AMEMBASSY GEORGETOWN

TO SECSTATE WASHDC IMMEDIATE 1086

S E C R E T SECTION 2 OF 2 GEORGETOWN 0530

5. COUNTRY TEAM HAS REVIEWED CAR'S LISTING OF OTHER
DONOR ASSISTANCE AND BELIEVES IT TO BE MORE REALISTIC THAN OUR
CASP LIST (ANNEX A, PAGE 2) ONLY OBVIOUS ERROR IS THAT POLISH
FISHING TRAINING HAS TERMINATD. BRITISHCOLLEAGUE INDICATES LEVEL
OF UK ASSISTANCE DROPPING SOMEWHAT,PERHAPS TO HALF PREVIOUS LEVEL,
BUT PRC PROGRAMS SEEM LIKELY TO BECOME MORE SIGNIFICANT. NEW

PRC INTEREST-FREE DOLS 11 MILLION LINE OF CREDIT UNFORSEEN WHEN DRAFT CASP SUBMITTED. THERE IS LOCAL RUMOR THAT PRC MAY OFFER TO BUILD ROAD TO BRAZIL USING LARGELY CHINESE LABOR WITH AID FUNDS BUYING CHINESE GOODS AS WAS DONE IN TANZANIA, BUT WE HAVE NO HARD INFORMATION ON THIS. FURTHER VENEZUELAN AID PROBABLY LIKELY IF VENEZUELA PETROLEUM REVENUES HOLD UP, GIVEN POLITICAL IMPORTANCE OF GUYANA TO VENEZUELA. VWEST GERMANS CONCLUDED THEIR INTERESTS NO LONGER JUSTIFIED EVEN MAINTAINING EMBASSY MUCH LESS ONCE-DISCUSSED TECHNICAL ASSISTANCE PROGRAM, AND CONSEQUENTLY CLOSED EMBASSY IN NOVEMBER 1974. RUSSIANS TELL US THAT THEY HAVE NO PRESENT PLANS FOR AN AID PROGRAM, BUT SOME LIMITED RUSSIAN ASSISTANCE SEEMS ALMOST INEVITABLE TO ESTABLISH CREDENTIALS AND REWARD GUYANESE POLITICAL SUPPORT. CUBAN TECHNICAL ASSISTANCE LIABLE TO INCREASE AS RESULT OF BURNHAM'S PRESENT VISIT, AND WAS PUBLICLY OFFERED FOR SUGAR INDUSTRY AND HEALTH SERVICES. GUYANA'S KNEE-JERK SUPPORT OF ARABS AND OF THIRD WORLD CONFRONTATIONAL POSITION TOWARD WEST SEEMS LIKELY TO PROMOTE FURTHER ARAB AID.

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6. ON ALTERNATIVES LISTED PARAGRAPH 4, THREE EMBASSY OFFICERS COMPLETING TWO YEARS HERE RECALL ORAL BRIEFINGS IN DEPARTMENT IN 1973 THAT FIRST ALTERNATIVE WAS U.S. POLICY THEN. SINCE THAT TIME, GUYANA HAS CONTINUED DRIFT TOWARD ANTI-U.S. INTERNATIONAL POSITIONS AND TOWARD MORE AUTHORITARIAN INTERNAL POLICY, NEW COMMUNIST, THIRD WORLD, AND MULTILATERAL AID DONORS ARE FILLING POTENTIAL AID GAP, PER CAPITA GNP HAS SHARPLY INCREASED, AND U.S. INTERESTS HAVE BEEN SHARPLY REDUCED BY NATIONALIZATION AT BEGINNING THIS YEAR OF REYNOLDS MINES, WHICH WAS LAST SIGNIFICANT U.S. INVESTMENT INTEREST HERE. WHY DELA DECISION FURTHER? MORE SELECTIVE AND TECHNICAL ASSISTANCE-ORIENTED ALTERNATIVE IMPLIES M.J.S. NATIONAL INTEREST IN CONTINUING BILATERAL PROGRAM, WHICH WE DO NOT BELIEVE REMAINS. HOWEVER, SINCE NO RPT NO DECISION SHOULD BE TOTALLY IRREVERSIBLE, CT WOULD BE WILLING TO ADD FOLLOWING SENTENCE TO END OF RECOMMENDATION ON PAGE 7: THIS DECISION SHOULD BE REVIEWED IN CONJUNCTION WITH PREPARATION OF THE FY77 CASP, IN ORDER TO TAKE INTO ACCOUNT ANY INTERVENING DEVELOPMENTS WHICH SIGNIFICANTLY ALTER THE BASIS OF OUR BILATERAL RELATIONS WITH GUYANA.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CASP, MEETING REPORTS, COUNTRY TEAM, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Draft Date: 15 APR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975GEORGE00530
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750131-0804
From: GEORGETOWN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750449/aaaabtkq.tel
Line Count: 213
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: SECRET
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 09 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 SEP 2003 by CunninFX>; APPROVED <10 SEP 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: APRI 17 IG REVIEW FY 1976-77 GUYANA CASP
TAGS: PFOR, GY, US
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006